

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Morrow Analyst: Roger Lackey Bill Number: SB 2104

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 04-04-00

Attorney: Patrick Kusiak Sponsor:

SUBJECT: Agricultural Disasters/Accelerated Depreciation And NOL Deduction For Farmers Affected By Natural Or Quarantine Event

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced February 25, 2000.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 25, 2000, STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (BCTL), this bill would provide an election to expense the cost of certain qualified property and a 100% net operating loss (NOL) carryover for a farmer that experiences a "natural or quarantine event."

Under the Government Code, this bill would add "natural and quarantine events" to the emergencies applicable to the standardized emergency management system operated by the Office of Emergency Services (OES).

This analysis will discuss the changes to the Government Code only as they impact the department's programs and operations.

SUMMARY OF AMENDMENT

The April 4, 2000, amendment added "quarantine" events to the prior version's "natural events" and provided that taxpayers that experience a "quarantine event" would be eligible for the benefits discussed above.

As a result of the amendment, the implementation and technical considerations provided in the department's prior analysis have been revised and provided below.

The Tax Revenue Estimate provided in the department's analysis of the bill as introduced February 25, 2000, still applies.

Except for the discussion in this analysis, the department's analysis of SB 2104 as introduced February 25, 2000, still applies.

Board Position:

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<u> </u> SA	<u> </u> O	<u> </u> NAR
<u> </u> N	<u> </u> OUA	<u> X </u> PENDING

Legislative Director

Date

Johnnie Lou Rosas

4/20/00

Implementation Considerations

Although this bill would include "natural and quarantine events" in the standardized emergency management system developed by the OES, it is unclear if this bill would actually provide the Governor or the OES the authority to declare a "natural or quarantine event," or if the OES would be required to make a declaration for the taxpayer to receive the benefits of this bill. It also is unclear how a natural or quarantine event would differ from a "state of emergency" or a "local emergency," which also may include infestations and plant diseases.

Further clarification is needed to ensure that taxpayers and the department properly understand when and where a "natural and quarantine event" has occurred.

This bill would provide the same benefits allowed to qualifying taxpayers in EZs, LAMBRAs, and the TTA. However, this bill would not specify how geographic boundaries would be established for the "natural and quarantine event." As a result, it may be difficult to determine if the election to expense the cost of certain qualified property and the 100% NOL carryover are actually attributable to a "natural or quarantine event" or the threat of a natural or quarantine event.

Once the implementation considerations are resolved, this bill would require the development of new tax forms and instructions and information systems, which could be accomplished during the normal annual update.

Technical Considerations

Under both the PITL and BCTL NOL provisions added by this bill, there is an incorrect reference regarding the loss carryover and limitations set forth. Amendments 1 and 2 are provided to correct these references.

BOARD POSITION

Pending.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO SB 2104
As Amended April 4, 2000

AMENDMENT 1

On page 15, line 34, strikeout "subparagraph (B)" and insert:
paragraph (2)

AMENDMENT 2

On page 28, line 4, strikeout "subparagraph (B)" and insert:
paragraph (2)